ANDREW RICHARD RYDER*

A new Social Europe: A Polányian response to turmoil and authoritarianism

Intersections. EEJSP
12(1):143–159. (2026)
https://doi.org/10.17356/ieejsp.v12i1.1388
https://intersections.tk.hu

* [andrew . ryder @ tatk . elte . hu] (Institute for Political and International Studies - Eötvös Loránd University)

Abstract

Using a Polányian frame the article gives a broad overview of economic history with a focus on the post-war and embedded liberalism, where markets were more regulated, but then transformed in the 1970s with the ascendancy of neoliberalism towards a more disembedded market economy, giving rise to new economic elites and the marketisation of institutions and society. The article details how a disembedded and de-regulated economy contributed to the 2008 global financial and the 2012 eurozone crises, both of which have fuelled a reactive and deceptive, rather than progressive, countermovement in the form of the rise of authoritarian populism based on nativist political agendas. The article advocates a new radical consensus which creates an economically and socially embedded society that enables intervention and equitable balance and fosters inclusive and civic notions of citizenship and community through the concept of a New Social Europe.

Keywords: *Polányi, authoritarian populism, critical multiculturalism, dis/embedded economies, hyperglobalism, Social Europe*

1 Introduction

For over a decade Europe has been in a deep crisis. Economic dysfunction materialised in the 2008 global and 2012 eurozone crises, prompting a policy response based on austerity. Austerity and economic malaise have fuelled a rise in authoritarian populism that has created a global political crisis as evidenced by the discord and division created by populist demagoguery, often expressed in Culture War rhetoric that is nostalgic and reactionary. In addition, growing challenges to the rule of law/international law have led to the conflict in Ukraine and failed insurrection in the USA and radicalism of the second Trump presidency.

Although the global economic crisis was triggered by neoliberalism, the economic elites with vested interests in marketisation have in fact managed to bolster their supremacy and deflect blame for the crisis. This deflection has been aided by authoritarian populists who though purporting to be the champions of 'the people' are advancing political agendas that are to the benefit of economic elites promising tax cuts or deregulation or patronage.

The article advocates the need for a new turn, an embedded economic, social and cultural transformation within society, this line of argument is heavily influenced by the thinking of the Hungarian Karl Polányi. In order to develop this line of argument the article outlines the thinking of Polányi and places the aforementioned crises in

some historical context. The article makes use of what can be termed the 'soft' and 'hard' interpretations of Polányi, the soft version emphasising the value of democratic control of institutions and empowerment through mutualism, whilst the hard emphasises the dangers of the free-market and global neoliberal order (Peck, 2013). The article will elaborate later on these two stances, suffice to say for now, at times in the past there has been friction between the adherents of soft and hard Polányian frames, with the hard Polányian faction deriding the soft faction as moderates who fail to adequately challenge the central flaws of capitalism and the soft Polányianists accusing the hard faction of dogmatic vanguardism. The article seeks to fuse the two approaches and create a new consensus among Polányianists.

2 A Polányian historical economic overview

Karl Polányi (1886–1964) was an economic sociologist who left Austria in 1933 and relocated to Britain, setting to work on his magnus opus *The Great Transformation*, published in 1944. In this work Polányi sought to make sense of the great political, social and economic turbulence of his age (Dale, 2016a).

In *The Great Transformation* Polányi (2002) through economic sociology describes a pre-industrial age where society was deeply rooted in social relations. Polányi argued that social embeddedness as reflected through social values, a sense of community and trust created forms of community cohesion. Those engaged in economic activity were, according to Polányi, more in control of their economic destiny, especially where they might be land owning farmers or self-employed craftsmen. A strong communitarian set of norms, values and moral beliefs were said by Polányi to help create a sense of community and coping mechanism for the challenges communities faced. The industrial revolution though created a paradigm shift, a huge transformation that disembedded economic activity. Capitalist control of the means of production created a sense of anomie and powerlessness among workers, commodifying labour, land and money and disembedding it from the communitarian values that had according to Polányi once placed some restraint on economic rapaciousness. In other words, these fundamental bases of social life were treated as if they were ordinary commodities and were subjected to market exchange (Hager et al., 2022).

As capitalism gained in its ascendancy, especially in Great Britain, the first industrialised and global economic hegemon, the new economic practices of the industrial age were refined into a doctrine of laissez-faire capitalism. Economic thinkers like Ricardo and Malthus espoused the virtues of a free market, which can almost be described as a form of economic Darwinism which advocated non-interference in the market and faith in the self-correcting qualities of untrammelled competition that invariably in pursuit of greater profits meant the erosion of workers' rights and renumeration. The gold standard was a manifestation of the new economic doctrine and the new age of economic globalisation, a monetary system in which paper money is freely convertible into a fixed amount of gold (Eichengreen & Flandreau, 1997).

In 1821, Great Britain became the first country to officially adopt a gold standard, Germany adopted it in 1900, by this stage most developed nations had done the same. The belief was that linking currencies to gold deterred inflation and created a stable currency conducive to trade and a self-regulating market. However, linking currencies to a gold standard created constraints on governments, limiting their ability to intervene and respond to crisis (Searcy, 1993). In The Great Transformation, Polányi (2002)

demonstrated how the gold standard restrained the development of welfare policy, empowering a financial elite above the elected political elites, asserting the primacy of the market above society, further disembedding the market (Saval, 2016). Polányi argued that faith in unregulated markets was built upon a fallacy as the market, if left to its own devices created dysfunction and chaos. Invariably such crisis prompted what Polányi described as a 'double-movement', a reflexive countermovement that urged intervention, regulation, protection and reform to restrain the volatility of the market.

The high point of this laissez-faire ascendancy was to come in the period 1870 to 1914, but the economic rivalry of Britain and Germany which found form in the search for global markets through imperialism spiralled out of control, indicating the dangers of fusing economic rapaciousness with chauvinistic nationalism, resulting in World War One and the beginning of a process of fragmentation for the gold standard. During World War One the gold standard was suspended but after the war governments, most notably Britain sought to restore it. However, this created through the 1920s deflation and high unemployment. The economic reparations imposed primarily on Germany at part of the Versailles Treaty in 1919 also proved to be a hindrance to not only German but European growth. The tipping point to crisis was the Great Depression prompted by the Wall Street Crash of 1929. Economic depression was deeply aggravated by the Smoot-Hawley Tariffs introduced in the U.S in 1930 and named after its senatorial sponsors under President Hoover, the protectionist tariffs are widely held to have greatly contributed to the downward trade spiral of the Great Depression (Irwin, 1996). The Depression was exacerbated by the currency and banking crisis of 1931 where a poorly regulated gold standard created a financial crisis.

Roosevelt's New Deal of federal intervention and stimulus can be viewed as a form of double movement, an attempt to restrain the vagaries of a dysfunctional market. In Germany the Nazis, who came to power on the back of economic collapse, introduced a planned and interventionist economic programme centred on infrastructure projects and rearmament, this can be seen as a Fascistic double-movement, an attempt to re-embed the economy to the service of the state but premised on militarism and expansion which inevitably led to the Second World War (Hermann & Mahnkopf, 2010). Fascism also created a rigid and insular conception of national identity fuelled by agonism, in other words a deep polarisation centred around notions of 'us and them', with Jews being the ultimate outsiders. For Polányi fascism was a product of the dysfunctions caused by the market utopianism of self-regulating markets.

The post-war period was described by the French economist Fourastié (2011) as the trente glorieuses (glorious thirty) a period of economic growth and expansion from about 1945 to 1973. Ruggie (1982) described it as 'embedded liberalism'. It was a period where the economics of Keynes was in the ascendancy countenancing intervention and redistribution in the form of nationalisation of key industries and expansion of welfare state provision. At the economic core of this was the Bretton Woods system established in 1944. The Bretton Woods system required countries to guarantee convertibility of their currencies into U.S. dollars which was convertible to gold. In addition, future competitive devaluations were deterred through an inter-governmentally negotiated consensus policed by the International Monetary Fund (IMF), and the International Bank for Reconstruction and Development (IBRD), which limited the scope for speculative tendencies that had triggered the Great Depression (Steil, 2013).

Keynes, who was present at the Bretton Woods summit, proposed that surplus

trade nations be compelled to import from debtor nations or conduct economic development in such countries. However, the U.S. opposed this and instead the International Monetary Fund was given the task and resources to counteract speculative finance flows. This US dominated framework created a kind of indirect colonialism, debtor nations in the third world continued to be at a disadvantage even as they transitioned to democracy and independence. This disadvantage was compounded by the post-war expansion and rising living standards in the global north being in part fuelled by the cheap commodity prices the international system imposed on global south exports (Benton, 2017). The unfairness of the system became more pronounced with the development of the Washington Consensus, a system that promoted what Stiglitz (2009) has described as market fundamentalism. This transformative turn in the global economic order came about in 1973 when the US decoupled the dollar from the gold standard because of inflationary pressures caused by the huge expenditure of the Vietnam war but this fuelled an explosion of international liquidity that fanned inflation, aggravated by the steep rise in oil prices engineered by OPEC. This shock to the system and interruption to post-war economic stability gave rise to the myth that statism and intervention had created the crisis and that there was a need to restore faith in the power of the market.

As noted earlier the return of a gold standard contributed to economic dysfunction in the interwar years, but the cessation of the neo-version as represented by Bretton-Woods in turn caused market dysfunction in the 1970s. As noted in reference to Keynes's progressive aspirations for what became Bretton Woods, what is important in global economic regulatory frameworks are the questions of who the principal beneficiaries are, and the degree of equity designed into an economic regulatory framework. Rather than creating a more equitable and transparent global economic framework its sudden dissolution by the Nixon administration led to excessive financial deregulation and speculation, creating an entirely new type of problem, especially for the global south and disadvantaged. The crisis of capitalism in the 1970s was prompted by the fall in profits due to the diminishing returns to technological innovation. In other words, each additional technological improvement is successively less capable of generating more output. The cost of materials, rising labour costs and the tax demands of statism were factors that led to sections of the capitalist class coalescing around neoliberalism which manifested in a political mobilization clamoring for reduced tax and regulation (Volscho, 2015).

The ideas of free-market economists like Hayek and Friedman, gained traction in an economic vision we now term neoliberalism, a new period of disembeddedness where the state and economic involvement contracted, and societies became highly vulnerable to the volatility of the market came to the fore (Berman, 2022). The neoliberal turn created a highly globalised world dominated by multinationals and advanced technologies that facilitated the rapid transfer of capital in an increasing deregulated economic system. The epitome of this new economic order was complex financial products like derivatives, financial products that involved the bundling of a range of financial assets that can themselves be traded as commodities, some valued in the hundreds of millions. The financier Warren Buffett (2002) rightfully derided derivates as a financial weapon of mass destruction. The danger of such complex products being that they greatly increase leverage and risk in the market. Derivatives, including subprime loans, caused by easy credit and a highly unregulated market and banking system were to act as a catalyst to the global financial crisis of 2008, a perfect illustration

of the dangers as Polányi would have seen them of a free market (Fraser, 2014).

Unfortunately, the global financial crisis rather than leading to a fundamental rethink on the nature and functioning of the neoliberal order, has bolstered the dominance of market forces. To gain deeper insights into that process, the article reflects on what happened in the wake of the global crisis in Europe.

3 Crisis in Europe

An important feature in the economic architecture of the post-war period was the movement towards European integration, in part to fulfil the dream of the key visionaries behind this process, namely Jean Monet and Robert Schuman, to prevent another war but in part it was also a project spawned by the US, believing a large integrated market of various states could replicate the success of the US (Delanty, 1995). A key aim of European integration as articulated in the Treaty of Rome in 1957 which created the European Economic Community was the eventual creation of a single market. It was not until the Single European Act of 1987, setting a timetable for the single market and the Maastricht Treaty in 1992 that set an aim to create a single currency, that this vision of deep economic integration started to become a reality, giving birth to the European Union.

The single currency unwittingly replicated some of the defects of the gold standard. The currency was disembedded from political governance in the sense that there was a lack of institutional control and overview. As Stiglitz (2016) notes, too much faith was placed in the power and efficiency of self-regulating markets and neoliberal principles such as the notion of low inflation nurturing growth and prosperity, reflecting the political dominance of the neoliberal right in Europe at the time (Andor, 2020). A key problem with the single currency was that it was geared to the interests of German exporters who believed a stable currency and low inflation would assist them and indeed Germany was able to accrue huge trade surpluses. Low inflation which eurozone members were obliged to achieve through the Stability and Growth Pact of 1997 committed governments to low deficits, three per cent of GDP, with financial penalties for those that erred (Bibow, 2012). Here we see what is termed as ordoliberalism. Ordoliberalism can be defined as an economic philosophy that supports the state taking a role in establishing the framework conditions for a liberal economic order and prescribes a rule-based economic policy geared towards fiscal discipline and price stability (Bruno, 2022).

The low interest rates created a credit boom, partly fuelled by the German surplus, weaker members of the Eurozone took advantage of the easy credit to borrow to increase public spending, the public took advantage of this cheap credit through increased consumer spending, especially on housing which created housing bubbles. The danger with the Euro was that it created a single currency on a very heterogeneous group of countries with different fiscal structures and traditions and social attitudes (Feldstein, 2011). Basically, northern EU states like Germany that can be termed as surplus states relied on export-based growth whilst in southern Europe it can be said there was more of a tradition of growth based on supply, inclined to make use of cheap credit, which was indeed the case in the early years of the euro. The problems of the Eurozone were compounded by a lack of clear understanding of how these different systems would work together and combined with the lack of institutional and central oversight was destined for disaster. In terms of lack of oversight and political author-

ity in Polányian terms the Euro as it then stood, could be described as more socially 'disembedded' than previous currency unions (Parker & Tsarouhas, 2018).

The asymmetry within the euro was accentuated by financialization, a transnational banking sector and liberalized capital market channelled surpluses from core, or what can be described as surplus states like Germany to the creditor economies at the periphery of Europe. A process aided by deregulation and over leveraging, a 'house of cards' was thus built on highly unstable financial foundations (Baldwin & F. Giavazzi, 2015). The weaknesses of the Eurozone were exposed in the global financial crisis of 2008 that revealed the true scale of debt and vulnerability of creditor and surplus states and the resulting credit crunch with high interest rates. Countries heavily in debt and vulnerable because of the earlier credit boom and housing bubbles such as Greece, Ireland, Italy, Spain and Portugal risked a default on their debt, there was a risk of contagion, a domino effect, whereby the crisis could bring down the Eurozone bloc, which nearly occurred in 2012.

Germany under the leadership of Chancellor Angela Merkel framed the crisis as one of fiscal irresponsibility on the part of countries like Greece rather than present it as a product of poor planning and forward thinking. Critics have argued Germany was in great part responsible for the crisis having been one of the principal champions of the eventual form the euro took. Furthermore, it should be noted that Germany was one of the first countries to break the three per cent rule of the Growth and Stability Pact (Bibow, 2012). Germany was to accentuate the crisis by promoting an ordoliberal approach where EU institutions through a Fiscal Compact in 2012, a form of Treaty, compelling eurozone members to balance their books and reduce their deficits or suffer financial penalties if they failed in deficit reduction. Deficit reduction via the Treaty was achieved through savage programmes of austerity, cutting public expenditure. De Witte described this as the constitutionalisation of austerity led by a troika of the European Central Bank, European Commission and International Monetary Fund, with Germany being the central driver (Dawson & de Witte, 2013).

Vulnerable economies like Greece initially resisted these drastic measures but had the stark choice of accepting these harsh terms or drop out of the eurozone and suffer an economic meltdown. The German thinker Habermas railed against the leadership of Germany accusing it through its ordoliberal diktats of eroding democracy in Europe and behaving in an authoritarian manner that treated states like Greece as children (Oltermann, 2015). Austerity went against the logic and rationale of how to respond to economic crisis when normally deficit spending and stimulus is encouraged to spur growth, instead austerity across Europe did the opposite and created a deep decade long crisis in Europe that had extreme economic and political consequences that will be elaborated upon later.

Jacques Delors President of the European Commission (1985-1995) had been one of the key architects of the single market and currency and had embraced free market ordoliberal notions, this conversion from classic post-war social democratic economic thinking took place following the failure of his Keynesian fiscal stimulus policies when Finance Minister (1981-1984) under President Mitterrand. In an attempt to balance the free market mantra of the policies he pursued in the commission, he sought to temper them with some moderate social policy interventions, that can be termed as the European Social Model or Social Europe.

'Social Europe' was a concept in the 1970s and 1980s, promoted by social-democratic/left voices in Western Europe who sought to achieve a social market

economy via the European Economic Community/EU, thus leaving behind more statist and nationalist conceptions of post-war socialism. Ryder (2020) notes Social Europe encompassed wealth redistribution; social and economic planning; economic democratization; improved working and living conditions; regulation and control of economic forces; guarantees of the right to work; upward convergence of European social regimes; and access to social protection for all. It could be viewed as a civilizational project based on Enlightenment values promoting forms of solidarity and cosmopolitanism, although the latter point was often weakly articulated. Delors though was only able to implant a weak form of Social Europe into the new European Union, primarily through the Social Charter which guaranteed fundamental social and economic rights in employment, housing, health, education, social protection and welfare. Even these modest measures were too much to stomach for British Prime Minister Margaret Thatcher, who denounced the Social Charter as 'socialism through the back door' (Thatcher, 1988). Some would argue that ultimately the Thatcherite neoliberal vision of Europe triumphed with the needs of the single market prevailing over the European Social Model.

Caporaso and Tarrow (2009) have argued that elements of the European Social Model such as the European Court of Justice and its interventions in labour rights present a Polányian form of countermovement. Such an assertion is unjustified, the preceding description of the evolution of the single market and currency in this paper, demonstrates that the needs of the market were predominant in EU decision making (Dale & El-Enany, 2013). Such was the weakness of the European Social Model little was done to alleviate the huge social suffering created by austerity, a problem compounded by a swing against the left following the financial global crisis where Centre-Left Governments in power such as the Labour Party in Britain were blamed for the crisis by the political right because of supposed spendthrift policies (Skidelsky, 2015). The embrace by the European Centre-Left of neoliberal orthodoxy following the example of Delors and articulated in the timidity of the 'Third Way' meant the Centre-Left were poorly placed to frame the causes of the crisis as a product of unfettered market policies and a need for a Polányian countermovement based on robust socialist policies.

In the wake of the global financial crisis and eurozone crisis investment dropped drastically by around 20 per cent, with some economies recording a drop of more than 40 per cent. About 6.7 million jobs were lost between 2008 and 2013, youth unemployment reached staggering proportions, increasing in Europe from 15.5 per cent in 2007 to 23.5 per cent in 2013. Precarious employment and benefit cuts also impeded the life chances of many (European Parliament, 2019). This huge economic shock added to the strain suffered by the poor regions of Europe after decades of deindustrialisation, and deeper transition across Europe to neoliberal economic regimes fractured the social contract, no longer was there a commitment to full employment. Welfare services and public services deteriorated through poor funding, commodification and privatisation. This economic and welfare dislocation fractured communities, working class identities and solidarities evaporated as a consequence of de-industrialisation and neoliberal structural change, those at the margins but also the old and poorly educated, were also perturbed by the rapid cultural changes induced by globalisation, challenging old certainties and more rigid conceptions of identity (Ford & Goodwin, 2014).

Societal frustrations found a political home in reactive political forces steered by authoritarian populist leaders like Trump, Orbán, Le Pen and Farage among others

who have embraced agonistic discourses levelling the blame at migrants, outsiders and liberal elites, of which the EU stood paramount in debates in Europe. These populist forces were often fuelled by a mix of economic and cultural fears which found solace in retreating into tradition and a craving for monocultural enclaves (Inglehart & Norris, 2016). These responses to crisis can be viewed as in the 1930s with the rise of fascism as a reactive double-movement (see earlier discussion). However, in the case of these new reactive double-movements there is little countenance by the radical right for stimulus with the blame for the ills of society being deceptively presented as the fault of migrants, welfare dependency, Wokeism (political correctness) and or liberal elites (Ryder, 2020). In the case of Trump federal intervention has expressed itself in his second presidency in forms of economic nativism in the form of tariffs targeted at 'economic competitors'.

Brexit can be viewed as part of the 'reactive double-movement', couched and framed in populist rhetoric centred on anti-migrant sentiments and culture war themes of a fear of losing national identity the campaign and debate was deceptive. A key element on the part of a section of the British and political elite was hyperglobalism. A more rampant and deregulated form of neoliberalism that it was believed would stem Britain's economic decline in a world of growing multipolarity in which US and British dominance are in relative decline and the financial system and markets are increasingly unstable (Kwarteng & Truss, 2012). Consequently, some countries like Britain, at the core of what Wallerstein (2011) describes as the more dominant and advanced economies, have been searching for alternative strategies. Hyperglobalist conceptions of Brexit, as championed by the radical right, can be viewed as an attempt to rival the low tax, low regulation and low social protection countries in the semi-periphery, those economies that are less advanced, stable and are in effect developing. Countries that are striving to become major economic powers. By freeing itself of Europe's social protections and regulations it was hoped a 'race to the bottom' could enable Britain to attain greater economic strength. The former Conservative Chancellor Nigel Lawson (2016) clearly articulated the hyperglobalist intentions of Brexit when he stated that leaving EU regulation would allow Britain to 'finish the job that Margaret Thatcher started'. Prime Minister Liz Truss's radical tax cutting budget was a catalyst to huge market dysfunction, leading to her resignation, denting the hopes for achieving a hyperglobalist vision of Brexit (Helm & Inman, 2022). The failure of the Truss budget played a major role in the Conservatives losing power and a Labour government coming to office with a more cautious vision of how Brexit should be interpreted into policy.

The remedy to the travails and crisis Europe has suffered for over a decade rest in a Polányian response that creates economic and social embeddedness, in other words a situation where the interests of society prevail over the vagaries of the market, rather than vice versa as is the aspiration of the hyperglobalists.

4 Economic and social embeddedness

In the final section the article outlines how transformative change in economic and social practices could constitute a Polányian form of double movement that creates equilibrium rather than dysfunction and averts the economic, environmental and political crisis that seems to be the present trajectory of an increasingly anarchic and combustible market driven world. In part the article departs from Polányi and adds

a cultural dimension that was absent in his writing relevant to the cultural realities of the globalised 21st century. In propounding antidotes although advocating transformative change the article proposes a deliberative political solution reflecting Polányi's faith and belief in democracy that avoids the vanguardism and dogmatic conceptualisations of some elements of the radical political spectrum that Polányi on the whole had little time for.

The New Left thinking of the 1960s, a group the soft Polányianists would feel at home with, became frustrated with the statism, bureaucratisation and rigidity of Marxist Leninism, giving greater emphasis to recognition as opposed to redistribution. The orthodox left, where some of the hard Polányianists would feel at home, saw such a stance as a form of capitulation to neoliberalism, hence a deepening fracture emerged amongst the centre left. The article is seeking to draw inspiration from the best of hard and soft Polányists, discussed at the start of the paper by propounding the case for fundamental economic and social change being the ultimate goal (hard Polányi) but delivered through gradualism, deliberation and community-based solutions (soft Polányi).

Although the structure of the European single market and currency has been geared to the interests of the market there are indicators of a shift. The European Pillar of Social Rights introduced at the 2017 Gothenburg Summit has sought to bolster social Europe by building a fairer and better functioning labour market and welfare systems in Europe. A key goal has been trying to establish a minimum wage in EU member states. Another important development has been the EU Covid Recovery Fund where a total of €2.018 trillion is available for member states to help revive economies and avert recession as a consequence of the pandemic. Not only is this a major stimulatory measure but it relies on borrowed finance in the form of bonds and is a departure from the ordoliberal fetish of balanced books. The Future of Europe Conference that concluded in 2022 where the EU sought to create a platform where European citizens could articulate their aspirations seemed to indicate a desire from the public for a more interventionist, fairer and democratic Europe.

The economist Stiglitz (2019) is among those calling for bolder action in the rewriting of the European economy, radically reforming the single currency and completing a banking union to create a proper regulatory framework for the currency and proper risk sharing convergence. Ultimately what might be needed is something akin to the global economic clearing union as envisaged by Keynes (see earlier discussion). A fair and equitable European Union might even in the opinion of Habermas (2013) provide something of a model that other global regions might emulate, in Latin America and Africa attempts are being made to create unions with pretensions to emulate the European Union. Although a vision of a European Union premised on robust Social Europe principles and acting as a role model might appear to be Eurocentric, in terms of resources, institutional structures and democratic traditions Europe might be best placed in leading the way in a new harmonious based global/regional economic order. Huebner (2014) states:

'Bringing Polányi back into town needs a substantive vision of a global economy that needs institutional safeguards in order to avoid crisis and unequal distribution of benefits and costs. Such agreements need to be designed in order to become trendsetters in organising and moderating global flows of goods and services as well as various forms of capital and also labour in a way that satisfies all criteria for a socially, economically as well as environmentally sustainable growth path'.

Such moves towards equitable global economic governance could see Piketty (2014)'s call for a global progressive tax become a reality and strengthen global equality, creating a countermovement to a race to the bottom by emphasising the value and importance of strong social protections. Of course, we live in a world where since the rise of neoliberalism progressive tax has been shunned and demonised, but that does not mean that one day the public and even sections of the economic elite will not again embrace such a position as was the case in the postwar period. Such a change is dependent on change in how we frame poverty, moving away from culture of poverty narratives that blame the poor or neoliberal claims that strong welfare systems sap the strength of economies. Good welfare access would need to be seen as a human right and not a social and economic burden (Lister, 2004). In this sense there would be a return to a form of Polányian social embeddedness where society cares for the disadvantaged rather than demonises them. This renewed and transformed European Union would be based on new conceptions of Social Europe that advocate increasing labour market participation through active welfare state measures, supply-side efforts at job creation, and measures to provide security other than lifetime job tenure and prioritizes efforts to combat social exclusion (Seikel, 2016).

Major economic change would not necessarily mean the literal end of capitalism but would fundamentally change its nature, both Polányi and Keynes believed in markets they just opposed unregulated markets and society being subservient to the whims of market forces (Skidelsky, 2010). In this sense both thinkers in some respects could be said to be similar in outlook to the thinker John Rawls (1971) who contended an important foundation for social justice is a social contract based upon the rational evaluation of society and the threats and opportunities within that society but also means by which the state can maximize equality and opportunity. In other words, Rawls did not want to see the state dictate to commerce every facet of business, but he did want to see a market regulated and restrained from excess. Rawls argued profits and fortunes could be accrued but within reason and without impinging on the life chances of the masses. With reference to the masses, Rawls advocated for forms of welfare safety nets and social protections that could give those at the bottom the resources to pursue all available opportunities and life changes and live a life of dignity. Today Rawl's vision seems utopian and radical but in the liberal postwar it was part of the mainstream.

Conceptualisations of Social Europe though have tended to focus on macroeconomic policy and not given equal weight to political and cultural change, these factors would need to be addressed in a New Social Europe. Strengthening of the rule of law would be an important dynamic in a renewed European Union, it is a testament to the value of the EU that it instigated numerous article 7 proceedings against Hungary for its infringement of human rights conventions and European law to try and check the authoritarian populism of Viktor Orbán when he was in power. Despite its assertiveness on this matter though the most the EU could do was withhold funds from Hungary and could in theory have suspended its voting rights in the European Council. In the future stronger measures may be needed such as the expulsion of serial offenders from the European Union. Ultimately what might be needed is what Habermas termed as constitutional patriotism, a pride and fervour in constitutional law and the sanctity of the rule of law and democracy that resembles at least in intensity the fervour of national identity (Müller & Scheppele, 2008). Such deep commitments will entail a better educated citizenship and educative public sphere, of course

such commitments may be borne out of a Social Europe that is able to address many of the genuine anxieties and insecurities, as opposed to those that are imagined, that stem from market dysfunctions. Both Polányi and Keynes were supporters of British parliamentary democracy and procedure and understood the value of stable democracies in creating progressive societies (Carvalho, 2008; Dale, 2016a). Keynes's and Polányi's respect for parliamentary democracy puts them in some respects within the tradition of Fabian gradualism or Habermas's conception of deliberative democracy, a communicative and open dialogue of reason and rationality (Olson, 2011).

Laclau and Mouffe (1985) in their conception of radical pluralism deride deliberation as a mechanism that stifles dissent and agonism. Mouffe (1999) states antagonism with its damaging enmities can become a constructive agonism in which 'us' and 'them' cleavages can have value in bringing about meaningful change, conservative forces should be deemed as respected adversaries but radical right groups who frame antagonistic enmities should be excluded and marginalised. As is evident from the populist phenomenon extreme agonism can in fact lead to sharp cleavages and enmities, polarising rhetoric and irrationalism (Dryzek & Niemeyer, 2006). The German thinker Carl Schmitt conceived of agonism as an instrument for national identity formation with the nation defining itself in contrast to the 'other', his nation building conception of agonism was utilised by the Nazis of which he was a supporter and demonstrates the dangers of such cleavages (Roskamm, 2015).

Keynes and Polányi were both hesitant about the fanaticism of soviet vanguardism in the USSR which could be viewed as another form of extreme agonism, Polányi believed socialism could only be achieved within Russia when it turned to democracy (Dale, 2016a). In the present time left populism, as with right populism, has alienated some through what might be described as a politics of 'antagonism' based on crude binary thought and speech that shuns consensus. Deliberation and parliamentary process does not necessarily mean moderate and timid policy development as evidenced by the creation of a welfare state in post-war Britain through parliamentary processes. A realization of this argument might be another point of convergence between soft and hard Polányianists and acceptance that broad coalitions of public opinion may need to be established to create a foundation for a progressive double movement, which will necessitate not only deliberation but flexibility and compromise. Deliberative democracy has the propensity for reciprocity, those on the losing side of an argument might respect the outcome and decision made on account of the process and reasoning used to reach a decision (Smith, 2000).

Laclau & Mouffe rightly suggest more should be done to form channels of communication and influence between social movements and parliaments. Laclau & Mouffe are also correct to argue a new radical consensus cannot be based upon technocratic Third Way approaches. This article proposes a radical Polányian approach harnessed to a bolder conception of Fabian gradualism willing to take leaps rather than baby steps.

The form of deliberative democracy advocated in this article is a fusion of radical democracy and deliberation with Polányian micro forms of mutualism and community economics aligned with forms of statism. Here reference can be made to the 'Nordic model', the Scandinavian tradition of comprehensive welfare systems and a robust safety net coupled with progressive taxation. Statism though has been criticised for top-down decision making and a bureaucratic disconnection with communities, hence the article advocates statist approaches being coupled with inclusive forms of

localised community development.

Community Led Local Development (CLLD) is a central part of EU funding opportunities to encourage community economics and involvement in designing and steering development. Using CLLD principles the EU has sought to create inclusion frameworks for Roma communities that espouse the ideals of participatory approaches and mutualism, although the principles of such community-based solutions has been accepted the results have been limited as this initiative is hamstrung by operating in a wider economic context that is marketized and austerity driven that has been counterproductive to Roma inclusion (Ryder, 2024).

A bolder application of CLLD via a Social Europe in a renewed European Union, would promote social embeddedness, the connections and linkages of strong social networks within a web of social attachments such as friendship, community and kinship (Uzzi & Gillespie, 2002). Granovetter (1985) envisaged such embeddedness as economic actions by networks of social relationships among actors, this could be achieved through community economics and mutualism.

Such forms of mutualism and social enterprise have demonstrated transformative potential, but the success stories are limited, such initiatives have tended to be undermined through marketisation, or forms of coproduction has orientated civil society towards service agendas. In addition, austerity and an increasing emphasis on professionalisation by donors has further impeded the ability of civil society to achieve its potential. Improved and more accessible funding from the EU and national governments without rigid conditionalities and or narrow donor driven agendas, giving civil society the resources and room to manoeuvre could contribute to a vibrant and inclusive public sphere capable of challenging the re-feudalisation that Habermas highlighted by giving communities including those at the margins voice and agency and platforms and channels of communication with decision-makers.

5 Cultural and spiritual embeddedness

Culture gives meaning to our lives, shapes our perception of reality and can be interconnected to spirituality in the sense it has the potential to shape our identities and behaviours. Fervour for Europe though will also require a strong sense of European identity as a cohesive glue but as with all identities there are multiple interpretations. What should being European mean in the 21st century? Can it compete with what Anderson (1991) might describe as the nativist 'imagined communities' of populist reaction, discussed earlier? Nancy Fraser (2014) is right to note that a fundamental weakness of Polányi is that he fails to recognise the defect of socially embedded relations which in some cases can present oppression and a loss of freedom because of forms of patriarchy or ethnic hierarchies. Fraser calls for a form of social embeddedness that respects and values individual rights and is emancipatory as well as freeing people from the dictates of the market. In this sense a cosmopolitan, inclusive and flexible framing of European identity might be the most accommodating.

Critical multiculturalism that challenges the social, economic and cultural drivers of exclusion and xenophobia might be a useful instrument in identity building (May & Sleeter, 2010). It is a more intercultural and deliberative form of identity management that recognises that identity is neither rigid nor static and that change, and innovation is both possible and to be welcomed and the best guarantor of individual rights in a complex world of multiple, situational and changing identities. It is also conducive

to civic conceptions of national and European identities, that can even be described as post national citizenship, that is inclusive and emphasises constitutional patriotism through valuing freedom, tolerance, equality and individual rights in contrast to ethnocentrism (Ryder, 2020).

Importantly, such an outlook defies the antagonistic tendencies of early conceptions of European identity that in the Middle Ages sought to define and articulate a notion of Europe as a reaction to a perceived Muslim threat (Delanty, 1995). It is also a vision that defies the eurocentrism of the enlightenment and belief in the supremacy and superiority of Europe. It is a mindset that can develop social embeddedness beyond Europe and create the culture of global cooperation that Habermas (2013) has long dreamt of. Such an approach would help Europe return to the post-war ideal of Europe as a citadel of tolerance, freedom and social rights. It was an ideal that was in effect a countermovement to the extremes of fascism and was an attempt to protect Europe in the future from such extremes, since the 1970s that economic and political firewall has been dismantled and brought the world much closer to the evils of fascism than what most observers would have once dared to predict. Aside from a reorientation in identity there is a need for change in our psyche. Polányi following his experiences in the first world war jettisoned his pre-war antipathy to religion in the sense of developing a more spiritual awareness, here Polányi may also have value in crafting transformation. The increasing commodification of the economic world has also shaped the habitus of the life world, increasingly every aspect of our working lives and the policies that impact upon us is shaped by audit cultures, in every area of life no aspect seems to be sacrosanct even knowledge production and academia seems to be increasingly hemmed in by audit and corporate culture (Brown, 2015). Mindsets and dispositions seem to be increasingly shaped not just by competition and rivalry, but forms of market fetishism or consumerism drive an increasing marketisation of society which incentivises society to the socio-economic and environmental cost of a market driven society. Thus, to secure the transformations that this article seeks to secure we need to change not just policy at the macro and micro level, as set-out in this article, but change and adapt our habitus, behaviour and dispositions. As this paper has argued Polányian change at the macro and micro level will create new socio-economic dynamics, creating a culture of altruism and deep bonds and affiliations within the world of work, and the communities within which we live, nationally and internationally.

6 Conclusion

As noted in this article Polányi sought to act as a siren to the dangers of the power of free markets and the belief in their power as a form of economic hubris. Elements of the radical right in reactive counter movements have embraced hyperglobalism and combined it with forms of nativism. In the US President Trump in his second term has crafted an alternative reactive countermovement based on fusing nativism with protectionist economic policies imposing tariffs on trade rivals. The article is in effect arguing that the rise of the radical right or what could be described as authoritarian populism, although taking different economic positions give credence to the predictions of Polányi and Dahrendorf that neoliberalism might transform into forms of fascism and authoritarianism. Although these detours initially might appear to be in contradiction with globalisation as reflected by sentiments favouring a retreat into the nation state and opposition to free movement of labour, the fusion of neoliberal-

ism and nationalist populism seems to be a relatively simple form of political merger, facilitating further downsizing and dilution of social protections (Fekete, 2017). As argued in this article the panacea might be a progressive countermovement centred on social justice and embeddedness.

The article has outlined a fusion and reorientation of hard and soft Polányian thinking that recognises the power of identities and how these can be manipulated by power elites, The conscientization of such manipulation however through the development of more cosmopolitan and fluid notions of identity and ethnicity can be fused with bolder conceptions of social justice that appreciates more fully the dynamics of how neoliberalism in crisis has contributed to the reactive double-movement. Such a fusion though also warrants a deeper conscientization of the complex and dysfunctional nature of neoliberalism.

Transformative policies in this new Polányian double-movement might though have to be stepping stones in the form of limited reforms such is the complexity of a globalised neoliberal order that it can be difficult to achieve deep change without economic blocs working in unison. However, this does not preclude articulating concerns about the nature of that system and the need for eventual fundamental change. Soft Polányians became too comfortable with third way neoliberal economic aspirations, this needs to change given the clear failure of such a system to deliver meaningful social justice. The article whilst valuing the power of grassroots community mobilisation which has been increasingly heralded by new left social movements also seeks to raise the appreciation of the value of parliamentarianism and the rule of law as major contributors to transformative change, as noted in the article Polányi with his appreciation of the British parliament valued these attributes, they have not always though been sufficiently appreciated by modern day hard Polányianists. Ultimately the hard and soft hard Polányianists need to realise old habits of infighting are a luxury given the growing threat of the reactive double-movement and that there is value in the old socialist maxim 'unity is strength'.

References

Anderson, B. (1991). *Imagined Communities: Reflections on the Origin and Spread of Nationalism*, (Rev. and extended ed.) Verso.

Andor, L. (2020). *The EU from crisis to crisis: Post-Polányian questions for social democracy* - Constellations, 27(4), 642–654. https://doi.org/10.1111/1467-8675.12531

Baldwin, R., & F. Giavazzi, e. (2015). *The Eurozone Crisis: A Consensus View on the Causes and a Few Possible Remedies*. CEPR Press.

Benton, T. (2017). *Beyond neoliberalism, or life after capitalism? A red-green debate. In Jones, B and O'Donnell, M.* Towards equality and democracy, Policy Press, (2017) Alternatives to neoliberalism.

Berman, S. (2022). *Putting politics back in charge of the economy* – Social Europe 7th November https://www.socialeurope.eu/putting-politics-back-in-charge-of-the-economy

Brown, W. (2015). *Undoing the Demos: Neoliberalism's Stealth Revolution*. MIT Press.

Bruno, F. (2022). Ordoliberal ideas on Europe: two paradigms of European economic integration. *History of European Ideas*, *49*(4):737–756. https://doi.org/10.1080/01916599.2022.2151494

Buffett, W. (2002). Berkshire Hathaway Inc Annual Report. Berkshire Hathaway Inc. https://www.berkshirehathaway.com/letters/2002.html. *Accessed: August*, *29*:2026.

Caporaso, J., & Tarrow, S. (2009). *Polanyi in Brussels: supranational institutions and the transnational embedding of market, International organization*. Cambridge University Press.

Cardim de Carvalho, J. (2009). *Keynes and the Reform of the Capitalist Social Order*. Journal of Post Keynesian Economics, 31(2) (Winter, 2008-2009), 191–211. http://www.jstor.org/stable/27746842

Dale, G. (2016a). *Karl Polányi: A Life on the Left*. Columbia University Press.

Dale, G. (2016b). *Reconstructing Karl Polányi: Excavation and Critique*. Pluto Press.

Dale, G., & El-Enany, N. (2013). The Linits of Social Europe: EU Law and the Ordoliberal Agenda. *German Law Journal*, *14*(5):613–649. https://doi.org/10.1017/S2071832200001954

Dawson, M., & de Witte, F. (2013). Constitutional Balance in the EU after the Euro–Crisis. *The Modern Law Review*, *76*(5):817–844. https://doi.org/10.1111/1468-2230.12037

Delanty, G. (1995). *Inventing Europe*. Palgrave Macmillan.

Dryzek, J. S., & Niemeyer, S. (2006). Reconciling pluralism and consensus as political ideals. *American Journal of Political Science*, *50*(3):634–664. https://doi.org/10.1111/j.1540-5907.2006.00206.x

Eichengreen, B., & Flandreau, M. (1997). *Gold Standard in Theory & History*. Routledge.

European Parliament (2019). *A decade on from the crisis Main responses and remaining challenges*. European Parliamentary Research Service.

Fekete, L. (2017). Flying the flag for neoliberalism. *Race & Class*, *58*(3):3–22. https://doi.org/10.1177/0306396816670088

Feldstein, M. (2011). *The Euro and European Economic Conditions* - Working Paper 17617. http://www.nber.org/papers/w17617 Accessed: DATE.

Ford, R., & Goodwin, M. (2014). *Revolt on the Right: Explaining Support for the Radical Right in Britain*. Routledge.

Fourastié, J. (2011). *Les Trente Glorieuses*. Fayard/Pluriel.

Fraser, N. (2014). Can society be commodities all the way down. *Post-Polányian reflections on capitalist crisis, Economy and Society*, *43*(4):541–558. https://doi.org/10.1080/03085147.2014.898822

Granovetter, M. (1985). Economic action and social structure: The problem of embeddedness. *American Journal of Sociology*, *91*(3):481–510. https://doi.org/10.1086/228311

Habermas, J. (2013). *The Crisis of the European Union: A Response*. Polity.

Hager, T., Heck, I., & Rath, J. (2022). Polányi and Schumpeter: Transitional processes via societal spheres. *The European Journal of the History of Economic Thought*, *29*(6):1089–1110. https://doi.org/10.1080/09672567.2022.2131865

Helm, T., & Inman, P. (2022). *Revealed: the £30bn cost of Liz Truss's disastrous mini-budget*. Guardian, 12th November 2022.

Hermann, C., & Mahnkopf, B. (2010). The past and future of the European Social Model. IPE Working Papers 05/2010, Berlin School of Economics and Law, Institute for International Political Economy (IPE).

Huebner, K. (2014). *Why Brussels Needs to Read Karl Polányi*. Social Europe 28th November.

Inglehart, R., & Norris, P. (2016). *Trump, Brexit, and the Rise of Populism: Economic Have-Nots and Cultural Backlash*. HKS Faculty Research Working Paper Series RWP16-026.

Irwin, D. A. (1996). *The Smoot-Hawley Tariff: A Quantitative Assessment. NBER Working Paper No.* w5509.

Kwarteng, K. Patel, P. R. D. S. C., & Truss, E. (2012). *Britannia Unchained*. Palgrave Macmillan.

Laclau, E., & Mouffe, C. (1985). *Hegemony and Socialist Strategy: Towards a Radical Democratic Politics*. Verso.

Lawson, N. (2016). Brexit gives us a chance to finish the Thatcher revolution. *Financial Times*, 24th September.

Lister, R. (2004). *Poverty*. Polity Press.

May, S., & Sleeter, C. (2010). *Critical Multiculturalism: Theory and Praxis*. Routledge.

Mouffe, C. (1999). Deliberative democracy or agonistic pluralism? *Social Research*, *66*:745–758.

Müller, J., & Scheppele, K. (2008). Constitutional patriotism: An introduction. *International Journal of Constitutional Law*, *6*(1):67–71. https://doi.org/10.1093/icon/mom039

Olson, K. (2011). *Deliberative Democracy. In B. Futner (Ed.) Jurgen Habermas: Key Concepts, 140–155*. Acumen Publishing.

Oltermann, P. (2015). *Merkel 'gambling away' Germany's reputation over Greece, says Habermas*. Guardian, 16th July.

Parker, O., & Tsarouhas, D. E. (2018). *Causes and Consequences of Crisis in the Eurozone Periphery: The Political Economies of Greece, Spain, Ireland and Portugal*. Palgrave Macmillan.

Peck, J. (2013). Disembedding Polányi: Exploring Polányian Economic Geographies. *Environment and Planning. Economy and Space*, *45*(7):1536–1544.

Piketty, T. (2014). *Capital in the Twenty-First Century*. The Belknap Press of Harvard University Press.

Polányi, K. (2002). *The great transformation: The political and economic origins of our time*. Beacon Press.

Rawls, J. (1971). *A Theory of Justice*. Belknap Press.

Roskamm, N. (2015). On the other side of "agonism": "The enemy," the "outside," and the role of antagonism. *Planning Theory*, *14*(4):384–403. https://doi.org/10.1177/1473095214533959

Ruggie, J. (1982). International regimes, transactions, and change: Embedded liberalism in the postwar economic order. *International Organization*, *36*(2):379–415. https://doi.org/10.1017/S0020818300018993

Ryder, A. (2020). *Britain and Europe at a crossroads: The Politics of Anxiety and Transformation*. Policy Press.

Ryder, A. (2024). The Roma and the double-movement of Social Europe. *Journal of European Integration*, *46*(3):387–404. https://doi.org/10.1080/07036337.2023.2298850

Saval, N. (2016). Polányi in our times, *The Nation*, 22nd December 2016.

Searcy, D. (1993). Beyond the self-regulating market in market society: A critique of Polányi's theory of the state. *Review of Social Economy*, *51*(2):217–231. https://doi.org/10.1080/00346769308616165

Seikel, D. (2016). Flexible austerity and supranational autonomy. The reformed excessive deficit procedure and the asymmetry between liberalization and social regulation in the EU. *Journal of Common Market Studies*, *54*(6):1398–1416. https://doi.org/10.1111/jcms.12439

Skidelsky, R. (2010). *Keynes: The Return of the Master*. Allen Lane.

Skidelsky, R. (2015). *George Osborne's cunning plan: How the chancellor austerity narrative harmed recovery*. New Statesman, 29th April.

Smith, G. (2000). Citizens' juries and deliberative democracy. *Political Studies*, *48*:51–65. https://doi.org/10.1111/1467-9248.00250

Steil, B. (2013). *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order*. University of Princeton Press.

Stiglitz, J. (2009). Moving beyond market fundamentalism to a more balanced economy. *Annals of Public and Cooperative Economics*, *80*(3):345–360. https://doi.org/10.1111/j.1467-8292.2009.00389.x

Stiglitz, J. (2016). *The Euro: How a Common Currency Threatens the Future of Europe*. Norton.

Stiglitz, J. (2019). *Rewriting the rules of the European Economy*. Foundation for European Progressive Studies.

Thatcher, M (1988) private files for 1988 - (5) the Bruges speech I.

Uzzi, B., & Gillespie, J. (2002). Knowledge spillover in corporate financing networks: Embeddedness and the firm's debt performance. *Strategic Management Journal*, *23*:595–618. https://doi.org/10.1002/smj.241

Volscho, T. (2015). The revenge of the capitalist class: Crisis, the legitimacy of capitalism and the restoration of finance from the 1970s to present. *Critical Sociology*, *43*(2):249–266. https://doi.org/10.1177/0896920515589003

Wallerstein, I. (2011). *The Modern World-System I: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*. University of California Press.